



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

July 1, 2002

Contact: Andy Nielsen
515/281-5515

Auditor of State Richard Johnson today released a reaudit report for the period July 1, 1999 through June 30, 2000 on the Greene Community School District. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2001. The reaudit was performed at the request of citizens of the District.

Johnson made recommendations to the District pertaining to internal controls and statutory compliance issues. The District responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report is available for review in the office of the Auditor of State and in the District Secretary's Office.

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GREENE COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 1999 THROUGH JUNE 30, 2000

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Independent Auditor's Report on Reaudit | 5-6 |
| Detailed Findings: | <u>Finding</u> |
| General Fund Transfers | A 8 |
| Physical Plant and Equipment Levy (PEEL) Disbursements | B 8 |
| School Nutrition Fund Deficit Retained Earnings | C 8-9 |
| Travel Expenses | D 9-10 |
| Fixed Assets | E 10 |
| Staff | 11 |

Greene Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education
(Before September 1999 Election)**

| | | |
|--------------------|----------------|------|
| Cynthia Schuknecht | President | 1999 |
| David Eimers | Vice-President | 2001 |
| Leland Calease | Board Member | 1999 |
| Drew Rogers | Board Member | 2000 |
| Robb Holtz | Board Member | 2000 |

(After September 1999 Election)

| | | |
|--------------------|----------------|------|
| Cynthia Schuknecht | President | 2002 |
| David Eimers | Vice President | 2001 |
| Drew Rogers | Board Member | 2000 |
| Robb Holtz | Board Member | 2000 |
| Leland Calease | Board Member | 2002 |

School Officials

| | | |
|------------|--------------------|------------|
| Steve Ward | Superintendent | Indefinite |
| Jan Trees | District Secretary | Indefinite |
| John Barth | District Treasurer | Indefinite |

Greene Community School District



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Independent Auditor's Report on Reaudit

To the Board of Education of the
Greene Community School District:

We received a request to perform a reaudit of the Greene Community School District under Chapter 11.6(4) of the Code of Iowa. As a result, we reviewed the audit report and workpapers of the District's independent auditing firm for the fiscal year ended June 30, 2000. Based on that review and other information provided to and obtained by us, we determined that a partial reaudit was necessary in order to further investigate specific issues identified in the request for reaudit or through our preliminary review. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Greene Community School District for the period July 1, 1999 through June 30, 2000. We also inquired and performed procedures for certain items to determine practices applicable to the year ended June 30, 2001. The procedures we performed are summarized as follows:

1. We reviewed the District's Talented and Gifted (TAG) program for propriety and compliance with Chapter 257.46 of the Code of Iowa.
2. We reviewed the District's At-Risk program and tested expenditures for propriety.
3. We reviewed District travel expenditures to determine whether claims were properly supported and did not include unallowable reimbursements and we tested reimbursements to determine that mileage was paid at the Board approved rate in accordance with Chapters 70A.9 and 70A.10 of the Code of Iowa.
4. We reviewed the financial condition of the District's School Nutrition Fund and District procedures for selling lunch tickets.
5. We reviewed selected requirements for Phase III of the District's Educational Excellence Program transactions for compliance with Chapter 294A of the Code of Iowa.
6. We reviewed selected statutory compliance requirements of Chapter 21 of the Code of Iowa pertaining to Board minutes and inquired of District personnel regarding whether the District had received funds for elevator installation.
7. We reviewed transfers between funds for Board approval and propriety.
8. We reviewed the District's school improvement technology program funding and related expenditures for compliance with Chapters 257 and 295 of the Code of Iowa.
9. We reviewed the District's use of the physical plant and equipment levy (PPEL) for compliance with Chapter 298.3 of the Code of Iowa.
10. We reviewed the District's authorization of and procedures pertaining to employee dial-up access and Internet usage

Based on the performance of the procedures described above, we have various recommendations for the District. Also, certain instances of non-compliance with the Code of Iowa were noted. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, no other items of non-compliance were noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the Greene Community School District, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Iowa Department of Education.

We would like to acknowledge the assistance extended to us by personnel of the Greene Community School District. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 28, 2002

RICHARD D. JOHNSON, CPA
Auditor of State

Detailed Findings

Greene Community School District

Detailed Findings

July 1, 1999 through June 30, 2000

- (A) General Fund Transfers - During the year ended June 30, 2000, the Board approved two transfers of \$1,500 each from the General Fund to the Student Activity Fund, Annual Account. Transfers from the General Fund to the Student Activity Fund should be reviewed carefully for propriety. The District should identify specific disbursements from the student activity accounts which could have been paid from the General Fund to support the transfer(s). An Attorney General's opinion dated November 12, 1992 provides guidance on determining allowable disbursements from the General Fund for extra-curricular activities.

The District represented that the District practice has been to supplement the Annual Account because revenues have not been adequate to fund the Annual Account activity and the Board considers the expense to be educational.

Recommendation - In the future, the Board should consider and document the educational purpose in the Board minutes. Alternatively, disbursements satisfying the General Fund purpose requirements should be budgeted and paid for directly from the General Fund in lieu of transferring to the Student Activity Fund. This more clearly identifies actual General Fund and Student Activity Fund transactions and provides better control over these transactions.

Response - The District has historically (18+ years) transferred General Fund money to the yearbook to offset costs. Because of this, the yearbook does not collect donations for advertising from local businesses, which already contribute much to our school. This also reduces the price of the yearbook to students. The Board will note in its minutes this purpose. The District will pay a portion of the yearbook bill directly and not transfer the funds to the yearbook account.

Conclusion - Response accepted.

- (B) Physical Plant and Equipment Levy (PPEL) Disbursements - During the year ended June 30, 2000, disbursements totaling \$7,092 from the PPEL Fund did not appear to meet the requirements of Chapter 298.3 of the Code of Iowa. This section states in part that revenues from the levy may be expended for "the purchase of buildings and the purchase of a single unit of equipment or a technology system exceeding one thousand five hundred dollars in value". The District purchased eighty desks and chairs with a unit price of \$88.65 for a combined cost of \$7,092 from the PPEL Fund.

Recommendation - The District should make a corrective transfer from the General Fund or the District's Special Revenue Fund, 67½ cent Schoolhouse Levy Account to the PPEL Fund. In the future, the District should insure that disbursements from the PPEL Fund, including disbursements for equipment, comply with the requirements of Chapter 298.3 of the Code of Iowa.

Response – The District felt that the section of Chapter 298.3, The Code, allowed the purchase of student desks under “repairing, remodeling, reconstruction, improving or expanding the schoolhouses or buildings.” The District will make a corrective transfer of the \$7,092 from the Special Revenue Fund, 67½¢ Schoolhouse Levy account to the Special Revenue Fund, Physical Plant and Equipment Levy (PPEL) account.

Conclusion – Response accepted.

- (C) School Nutrition Fund Deficit Retained Earnings – The District’s retained earnings for the School Nutrition Fund, calculated in accordance with generally accepted accounting principles (GAAP), was \$(10,490) at June 30, 2000 and \$(23,361) at June 30, 2001. School lunch prices have not been increased in fiscal 1999, 2000 or 2001.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position. This may require a rate increase, a reduction in expenditures and/or delay in equipment acquisitions.

Response – The District will investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Conclusion – Response accepted.

- (D) Travel Expenses – Article III, Section 31 of the Constitution of the State of Iowa, as interpreted by the Attorney General, provides in part that public funds may only be spent for the public benefit. Chapter 279.30 of the Code of Iowa states in part “Each warrant must be made payable only to the person performing the service or presenting the verified bill, and must state the purpose for which the warrant is issued.” Chapter 279.32 of the Code of Iowa states in part “Actual and necessary expenses, including travel, incurred by the board or individual members thereof in the performance of official duties may be paid or reimbursed”.

The District’s policy for “Board of Directors’ Member Compensation and Expenses” and “Employee Travel Compensation” requires in part:

“Board members shall be reimbursed for actual and necessary expenses incurred in the performance of their official duties” and employees may receive “reimbursement for actual and necessary expenses (will be) allowed for travel outside the school district if the employee received pre-approval for the travel.”

Prior to reimbursement of actual and necessary expenses, the board member/employee must submit a detailed receipt, other than credit card receipt, indicating the date, purpose and nature of the expense for each claim item. Failure to provide a detailed receipt shall make the expense non-reimbursable. Personal expenses shall be reimbursed by the board member/employee to the school district no later than ten working days following the date of the expense.

The Board policy also states “It shall be the responsibility of the board secretary to compile the expenses of board members and bring them to the board for audit and approval in the same manner as other claims of the school district. It shall be the responsibility of the board to determine through the audit and approval process of the board whether the expenses incurred by a board member are actual and necessary expenses incurred in the performance of their official duties.”

Receipts for meals for multiple individuals were provided to obtain reimbursement, but did not always identify the individual Board Member(s) or employee(s) included in the reimbursement.

The Superintendent submitted and received reimbursement for his personal meal and lodging expenditures and also paid for and received reimbursement for the meal and lodging expenditures of Board Members for various meetings and conventions during the year.

The District paid the hotel bill for Jeff Peterson directly to the hotel. In addition to lodging, the bill included reimbursements totaling \$71.84 for an in-room movie and meal reimbursements that appeared to include family members. The District represented that these personal expenses would have been recovered by the District since the employee was never paid for out-of-District travel expense.

Recommendation - Board policy should be reviewed and revised to require that personal expenses be deducted from the request for reimbursement prior to payment or reimbursement. In the future, claims should be reviewed and documentation should be provided as required by Chapter 279.32 of the Code of Iowa and in accordance with the Board's policies for travel reimbursement. The Superintendent, Board Members and employees should pay for their own expenses and submit reimbursement requests for allowable expenses in accordance with Board policy and Chapter 279.30 of the Code of Iowa.

Response - The questionable expenses for the former employee, Mr. Peterson, were noted following the payment to the hotel. Reimbursement to the District from the employee was requested numerous times and not received. The District withheld payment of a \$300 travel allowance for the up-to \$71.84 questioned expenditures.

The District will review more closely that a multiple party receipt notes specifically for whom the expenditure was made. The District will also more closely review its few direct bill travel payments before making payment, and it will require reimbursement for any personal expenses prior to the District direct payment of the bill. Instead of one individual paying for multiple individuals, the District will have Board Members and employees pay their own expenses and submit reimbursement requests for allowable expenses.

Conclusion - Response accepted.

- (E) Fixed Assets- The District reported two computers with costs of \$1,898 as TAG expenditures and also as Technology expenditures on the District's Certified Annual Report (CAR). This resulted in an overstatement of \$1,898 in Technology expenditures on the CAR.

Recommendation - The District should contact the Iowa Department of Education to determine the appropriate corrective action.

Response - This oversight occurred when the District purchased in July/August two computers for TAG within a larger school district computer order, and the completion of the Talented and Gifted annual report, whose deadline was a year later. The District will revise its Certified Annual Report to reflect the technology fund balance changing from a -\$15,435 to a -\$13,537.

Conclusion - Response accepted.

Greene Community School District

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Donna F. Kruger, CPA, Senior Auditor II
Brad T. Holtan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State